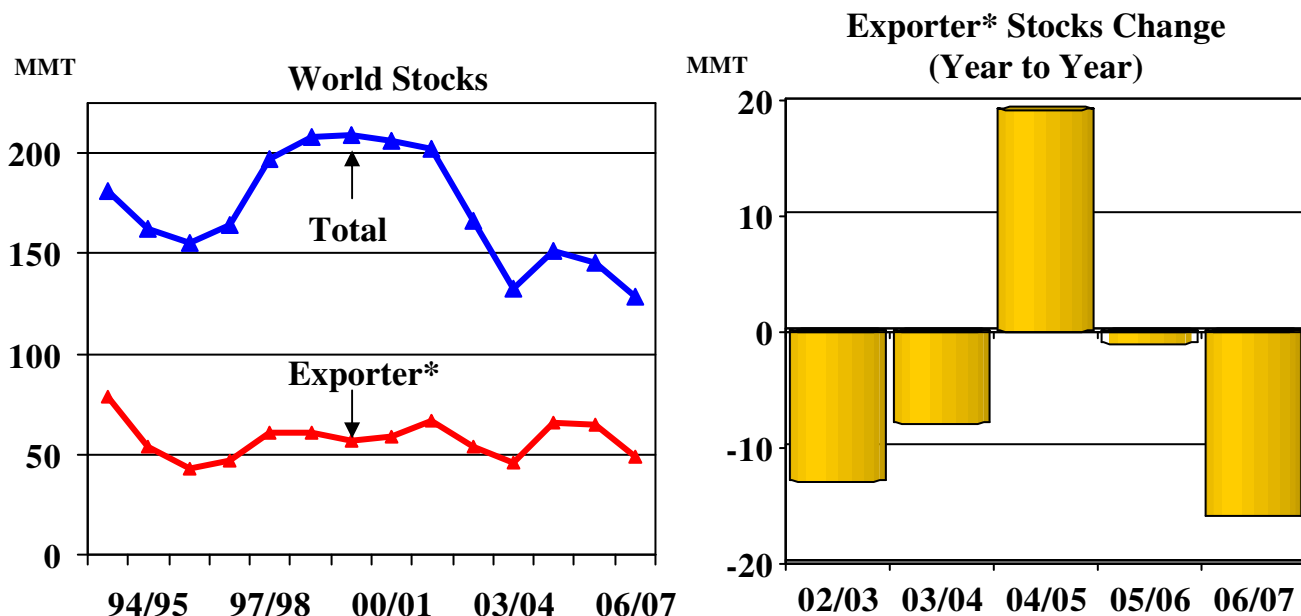

WHEAT: WORLD MARKETS AND TRADE

MONTHLY HIGHLIGHTS:

World Ending Stocks Shrink to 25-year Low: With wheat production estimates for many of the world's major suppliers continuing to shrink, global ending stocks are forecast to drop considerably in 2006/07. Stocks in exporting countries are projected to be down 25 percent, causing prices to soar. For the United States, ending stocks are forecast to fall to the lowest level since 1995/96, with the drawdown in hard wheat stocks even more dramatic ([see article](#)). For the European Union, smaller production will likely reduce free stocks, and intervention stockpiles could also continue to shrink as high prices make sales out of intervention attractive. High domestic prices will also likely discourage large sales into intervention later in the year.

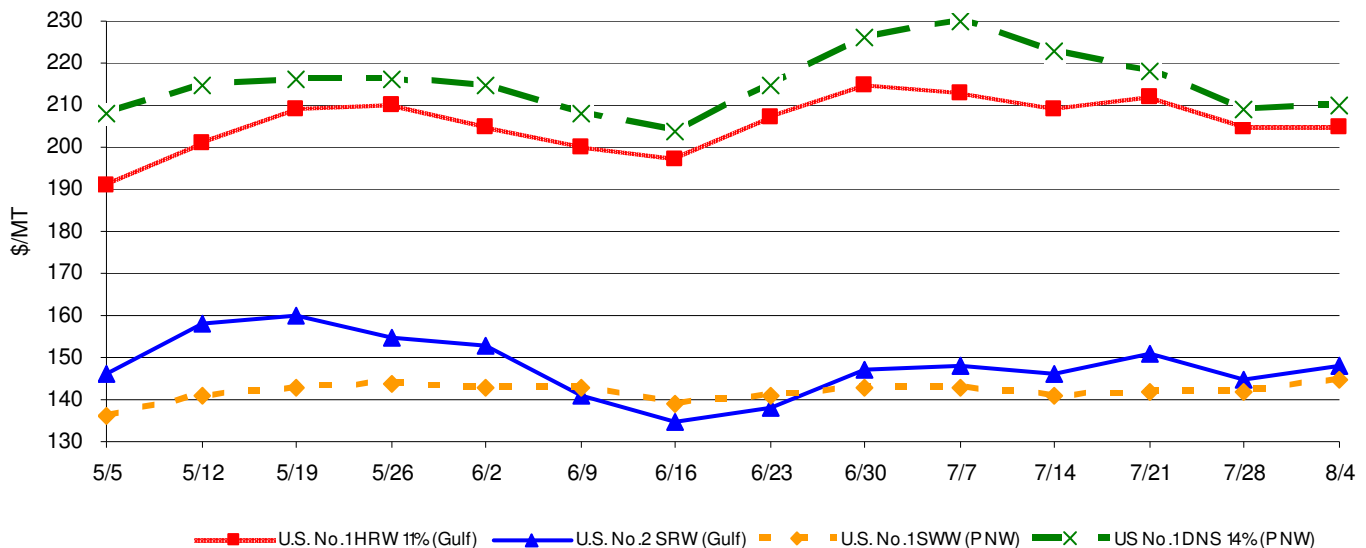


* Includes Argentina, Australia, Canada, EU-25, Kazakhstan, Russia, Ukraine, and the United States

PRICES:

Domestic: For July, hard wheat prices fell while soft wheat prices remained largely unchanged. Although the hard wheat situation continues to be very tight, much of this was already factored into the run-up in prices in June. Technical factors and harvest pressure helped push wheat futures lower. For the month, Hard Red Spring (HRS) prices fell \$16 per ton and Hard Red Winter (HRW) fell \$10 per ton, while Soft White (SWW) prices rose \$2 per ton and Soft Red Winter (SRW) rose \$1 per ton.

U.S. Weekly FOB Export Bids



TRADE CHANGES IN 2006/2007

Selected Exporters

- **Argentina** is down 700,000 tons to 8.8 million on smaller crop prospects.
- **EU-25** is down 1.0 million tons to 15.5 million as production was slashed this month by nearly 7.0 million tons, primarily in Germany and France--the EU's top two exporting countries.
- **Russia** is up 1.0 million tons to 7.5 million and **Ukraine** is up 1.0 million tons to 3.5 million with the harvests expected to be larger than previously anticipated on good crop weather. Also, bumper barley crops will likely encourage more feeding of that grain and allow greater exports of wheat.

Selected Importers

- **EU-25** is up 300,000 tons to 6.8 million on reduced production and greater availability of feed-quality wheat from the Black Sea region.

TRADE CHANGES IN 2005/2006

Selected Exporters

- **Argentina** is raised 400,000 tons to 7.9 million due to stronger than anticipated late-season exports.

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- **Canada** is lowered 200,000 tons to 15.8 with nearly complete trade data.
 - **Ukraine** is raised 400,000 tons to 6.4 million tons with very strong late-season exports. Despite the prospects of a short new crop, shipments during the last few months of the marketing year were larger than expected.
 - **EU-25** is raised 500,000 tons to 15.0 million on higher exports in May and June.

Selected Importers

- **China** is lowered 200,000 to 1.1 million on near year-end trade data.
- **Egypt** is raised 200,000 tons to 7.7 million making it once again the world's largest importer. For the second straight year, Russia has been the largest supplier to this market.
- **India** is down 300,000 tons to 200,000. Although purchases were strong, most of the imported wheat began to arrive shortly after the trade year ended.
- **Philippines** is up 200,000 tons to 3.1 million on near year-end trade data.
- **Russia** up 300,000 tons to 1.1 million based on strong late-season imports from Kazakhstan.